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CENTRAL INTELLIGENCE AGENCY
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THE STATUS OF US-SPANISH NEGOTIATIONS

The negotiations were proposed by the United States and began in April 1952. Three separate agreements are involved:

- (1) A base rights agreement, to secure American peacetime and wartime use of selected Spanish air and naval bases;
- (2) an economic agreement, to bolster economic services ancillary to the bases and to offset the inflationary impact of the influx of American base construction funds;
- (3) a military assistance agreement to enable the Spaniards to defend the bases.

Congress set aside \$125,000,000 for Spanish aid in the 1953 budget. This sum is to be divided roughly into 75 million for economic and 50 million for military aid.

Initially, the Spaniards wanted the United States:

- (1) to modernize and re-equip their whole defense establishment, and
- (2) to underwrite the stabilization of Spain's economy.

Franco also welcomed the talks as a means of enhancing his prestige at home and abroad.

Spain's original economic demands have been relaxed because of:

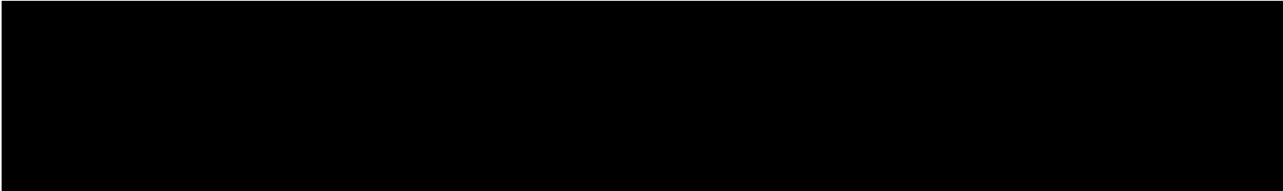
- (1) A relative improvement in the country's economic position;
- (2) Franco's discovery that the 125 million already appropriated was not an absolute grant but predicated on the signing of the agreements;
- (3) The obvious implications of present American congressional pressure for economy.

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Spain's military demands were reduced last month when the government acknowledged that American NATO commitments would prevent Washington's supplying military end-items in installments paralleling the stages of base construction in Spain. Spain now accepts a simple promise that its minimum defense needs are to be met subject to Washington's other limitations.

Spain also abandoned last month its insistence on prior consultation on wartime use of its bases in the event of Communist aggression. Prior consultation is now demanded only for use in other contingencies. Peacetime use is to be severely limited to training purposes. The agreement is to run for ten years with two five-year extensions.



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